

Disclosure Statements

**INTESA SANPAOLO S.p.A.
Hong Kong Branch**

30 June 2016

INTESA SANPAOLO S.p.A.
Hong Kong Branch

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INTESA SANPAOLO S.p.A.
Hong Kong Branch

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2016

	30 June 2016 Note	30 June 2015 HK\$'000
NET INTEREST INCOME		
Interest income	469,129	479,645
Interest expenses	<u>(246,675)</u>	<u>(233,490)</u>
	222,454	246,155
OTHER OPERATING INCOME		
Gains less losses arising from trading in foreign currencies	(12,601)	(47,835)
Gains less losses on securities held for trading purposes	25,786	(8,806)
Gains less losses from other trading activities	(120,577)	(40,642)
Net fees and commission income	1 105,240	85,167
Others	<u>73</u>	<u>-</u>
TOTAL INCOME	220,375	234,039
OPERATING EXPENSES		
Staff expenses	(36,938)	(37,613)
Rental expenses	(10,546)	(10,128)
Other expenses	<u>(14,895)</u>	<u>(12,087)</u>
	(62,379)	(59,828)
IMPAIRMENT LOSSES WRITTEN BACK ON LOANS AND RECEIVABLES	(20,302)	(85,093)
LOSSES FROM THE DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION	137,694	89,118
TAX EXPENSE	(19,396)	(11,628)
EXTRAORDINARY (EXPENSES)/ INCOME AFTER TAXATION	<u>(226)</u>	<u>678</u>
PROFIT AFTER TAXATION	<u><u>118,072</u></u>	<u><u>78,168</u></u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

BALANCE SHEET

30 June 2016

	Notes	30 June 2016 HK\$'000	31 December 2015 HK\$'000
ASSETS			
Cash and balances with banks		226,084	137,164
Placement with banks which have a residual contractual maturity of more than one month but not more than 12 months		-	-
Due from Exchange Fund		19,430	13,956
Amount due from overseas offices of the institution		14,352,382	18,394,798
Trade bills		883,553	505,297
Certificates of deposit held		-	-
Securities held for trading purposes		18,041,318	11,796,655
Loans and receivables	2	16,940,872	15,301,920
Investment securities		-	-
Other investments		-	-
Reverse repurchase agreement		-	1,802,187
Property, plant and equipment and investment properties		5,130	6,163
Total assets		50,468,769	47,958,140
LIABILITIES			
Deposits and balances from banks		1,894,767	2,939,490
Due to Exchange Fund		-	-
Deposits from customers	3	1,583,181	2,084,649
Amount due to overseas offices of the institution		42,632,108	38,448,066
Certificates of deposit issued		440,000	1,040,000
Issued debt securities		-	-
Sale and repurchase agreement		1,245,433	-
Other liabilities		2,673,280	3,445,935
Total liabilities		50,468,769	47,958,140

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ADDITIONAL INFORMATION

30 June 2016

1. NET FEES AND COMMISSION INCOME

	30 June 2016 HK\$'000	30 June 2015 HK\$'000
Commission income, gross	112,027	91,457
Commission expenses, gross	(6,787)	(6,290)
Net fees and commission income	<u>105,240</u>	<u>85,167</u>

2. LOANS AND RECEIVABLES

	Notes	30 June 2016 HK\$'000	31 December 2015 HK\$'000
(i) Loans and advances to customers	5	15,042,447	13,504,228
Provisions for impaired loans			
Collective provisions	2 (iv)	(29,457)	(29,425)
Specific provisions	4	<u>(314,827)</u>	<u>(422,055)</u>
		14,698,163	13,052,748
(ii) Loans and advances to banks		126,189	853,348
Provisions for impaired loans			
Collective provisions		-	-
Specific provisions		<u>-</u>	<u>-</u>
		14,824,352	13,906,096
(iii) Other accounts		<u>2,116,520</u>	<u>1,395,824</u>
		<u>16,940,872</u>	<u>15,301,920</u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

ADDITIONAL INFORMATION

30 June 2016

2. LOANS AND RECEIVABLES (continued)

(iv) Impaired loans and advances provisions booked at Head Office

Collective impaired loan provision for impaired assets is not maintained by the branch but by the Branch's Head Office to cover possible impaired assets losses not separately identified. Within the collective impaired loan provision maintained in the Head Office, there is no specific portion allocated for exposures in Hong Kong. The current balance was brought forward from the mergers of Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. on January 1, 2007.

(v) Impaired loans and advances :

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Impaired loans and advances to customers	579,269	718,312
Specific Provisions	255,642	382,779
Percentage of such advances to total advances to customers	<u>3.85%</u>	<u>5.32%</u>

There were collateral for impaired loans and advances as follows:

There was no collateral for impaired loans and advances to customers as at 30 June 2016 and Diadora Asia Pacific Ltd for amount of HKD12,254,688 was collateral in respect of overdue loans and advances to customers, overdue for more than 1 year as of 31 December 2015.

(vi) There was no impaired loans and advances to banks as of 30 June 2016 and 31 December 2015.

3. DEPOSITS FROM CUSTOMERS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Demand deposits and current accounts	923,716	1,420,137
Savings deposits	3,070	3,067
Time, call and notice deposits	<u>656,395</u>	<u>661,445</u>
	<u>1,583,181</u>	<u>2,084,649</u>

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ADDITIONAL INFORMATION

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4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES

	30 June 2016		
	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
Beginning balance as of 1st January	29,425	422,055	451,480
Charge for the period	-	20,691	20,691
Amounts recoveries	-	-	-
Amounts written-back	-	-	-
Amounts written-off	-	(128,300)	(128,300)
Other movements	-	-	-
Exchange differences	32	381	413
	<u>29,457</u>	<u>314,827</u>	<u>344,284</u>
Ending balance as of 30th June	<u>29,457</u>	<u>314,827</u>	<u>344,284</u>
Provisions against:			
Advances to banks	-	-	-
Advances to customers	29,457	255,642	285,099
Trade bills	-	-	-
Contingent liabilities and commitments	-	-	-
Accrued interest	-	59,185	59,185
	<u>29,457</u>	<u>314,827</u>	<u>344,284</u>

	31 December 2015		
	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
Beginning balance as of 1st January	29,449	186,775	216,224
Charge for the year	-	276,479	276,479
Amounts recoveries	-	-	-
Amounts written-back	-	-	-
Amounts written-off	-	(40,205)	(40,205)
Other movements	-	-	-
Exchange differences	(24)	(994)	(1,018)
	<u>29,425</u>	<u>422,055</u>	<u>451,480</u>
Ending balance as of 31st December	<u>29,425</u>	<u>422,055</u>	<u>451,480</u>
Provisions against:			
Advances to banks	-	-	-
Advances to customers	29,425	382,779	412,204
Trade bills	-	-	-
Contingent liabilities and commitments	-	-	-
Accrued interest	-	39,276	39,276
	<u>29,425</u>	<u>422,055</u>	<u>451,480</u>

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ADDITIONAL INFORMATION

30 June 2016

5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS

(i) Sectoral analysis of gross advances to customers

The information concerning gross amount of loans and advances to customers by industry sectors has been classified according to the business activity of the borrowers or usage of the loans.

	30 June 2016		31 December 2015	
	Loan HK\$'000	Collateral HK\$'000	Loan HK\$'000	Collateral HK\$'000
Loans and advances for use in Hong Kong				
Industrial, Commercial and financial:				
Property development	-	-	-	-
Property investment	-	-	-	-
Financial concerns	-	-	-	-
Stockbrokers	-	-	-	-
Wholesale and retail trade	109,010	-	125,095	-
Manufacturing	55,414	2,707	138,569	12,255
Transport and transport equipment	21	-	7,344	632
Recreational activities	-	-	-	-
Information Technology	-	-	-	-
Electricity and gas	-	-	-	-
Others	-	-	-	-
Individuals:				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor Schemes	-	-	-	-
Loans for the purchase of other residential properties	-	-	-	-
Credit card advances	-	-	-	-
Others	-	-	-	-
Trade finance	289,396	9,860	404,524	18,329
Loans and advances for use outside Hong Kong	<u>14,588,606</u>	<u>1,436,000</u>	<u>12,828,696</u>	<u>2,071,570</u>
Total gross amount of loans and advances to customers	<u>15,042,447</u>	<u>1,448,567</u>	<u>13,504,228</u>	<u>2,102,786</u>

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30 June 2016

5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS (continued)

(ii) Geographical analysis of advances to customers

The analysis of advances to customers by geographical area is classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

(a) Analysis of gross amount of loans and advances to customers by major countries or geographical areas

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Australia	3,058,288	3,271,305
Cayman Islands	1,692,186	1,904,654
Italy	1,492,269	1,635,295
Mongolia	1,124,984	-
Indonesia	1,027,845	727,360
Marshall Islands	931,845	288,933
India	843,604	1,118,222
Others	4,871,426	4,558,459
	<u>15,042,447</u>	<u>13,504,228</u>

(b) Analysis of gross amount of overdue loans and advances to customers by major countries or geographical areas

Brazil	476,567	476,054
Others	17,359	157,006
	<u>493,926</u>	<u>633,060</u>

(c) Analysis of impaired loans and advances to customers by major countries or geographical areas

Brazil	476,567	476,054
Others	102,702	242,258
	<u>579,269</u>	<u>718,312</u>

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ADDITIONAL INFORMATION

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6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES

(i) Overdue loans and advances to customers

	Amount HK\$'000	30 June 2016 % of total advances to customers	Amount HK\$'000	31 December 2015 % of total advances to customers
Gross advances overdue for:				
3 months or less but over 1 months	-	-	-	-
6 months or less but over 3 months	-	-	-	-
1 year or less but over 6 months	-	-	476,054	3.53%
Over 1 year	<u>493,926</u>	<u>3.28%</u>	<u>157,006</u>	<u>1.16%</u>
Total overdue advances	<u><u>493,926</u></u>	<u><u>3.28%</u></u>	<u><u>633,060</u></u>	<u><u>4.69%</u></u>

(ii) There were rescheduled loan of account as follows :

Beghelli Innovation Co Ltd for amount of HKD65,947,351 and HKD65,876,366 as 0.44% and 0.49% to loans and advances to customers, no overdue and without collateral as of 30 June 2016 and 31 December 2015 respectively.

(iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 30 June 2016 and 31 December 2015.

(iv) There were collateral in respect of overdue loans and advances as follows:

There was no collateral for impaired loans and advances to customers as at 30 June 2016 and Diadora Asia Pacific Ltd for amount of HKD12,254,688 were collateral in respect of overdue loans and advances to customers, overdue for more than 1 year as of 31 December 2015.

(v) There were no repossessed assets held as of 30 June 2016 and 31 December 2015.

(vi) There were amount for HKD255,642,708 and HKD382,778,343 as specific provisions for overdue loans and advances as of 30 June 2016 and 31 December 2015 respectively.

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ADDITIONAL INFORMATION

30 June 2016

7. NON-BANK MAINLAND EXPOSURES

30 June 2016

Equivalent in millions of HK\$

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	285	233	518
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	350	582	932
4. Other entities of central government not reported in item 1 above	783	-	783
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5	-	5
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,204	128	1,332
Total	2,627	943	3,570
Total assets after provision	50,469		
On-balance sheet exposures as percentage of total assets	5.21%		

31 December 2015

Equivalent in millions of HK\$

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	289	814	1,103
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	388	581	969
4. Other entities of central government not reported in item 1 above	781	-	781
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	15	-	15
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	57	140	197
Total	1,530	1,535	3,065
Total assets after provision	47,958		
On-balance sheet exposures as percentage of total assets	3.19%		

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30 June 2016

8. INTERNATIONAL CLAIMS

International claims by country or geographical segment is based on the physical location of the counterparty in which not less than 10% of total international claims (including Hong Kong) after taking into account the transfer of risks. In general, such transfer of risk takes place if the claims are guaranteed by party in a country, which is different from that of the counterparty, or if the claims are on an overseas branch of a bank whose head office is located in another country.

	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank private sector</u>		<u>Total</u>
	HK\$'m	HK\$'m	Non-bank financial institutions HK\$'m	Non-financial private sector HK\$'m	HK\$'m
<u>As at 30 June 2016</u>					
1. Developed countries	6,987	2,836	3,483	6,781	20,087
2. Offshore centres	59	-	-	3,920	3,979
3. Developing Asia and Pacific	1,174	-	-	5,299	6,473
<u>As at 31 December 2015</u>					
1. Developed countries	4,313	3,134	1,689	6,615	15,751
2. Offshore centres	336	-	-	4,680	5,016
3. Developing Asia and Pacific	1,691	-	-	2,656	4,347

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9. FOREIGN CURRENCY EXPOSURES

The foreign currency exposures are prepared in accordance with the HKMA banking return of "Foreign Currency Position" completion instructions. The net position in foreign currencies are disclosed as follows:

30 June 2016

Equivalent in millions of HK\$	USD	EUR	JPY	GBP	AUD	Others	Total
a. Spot assets	27,662	3,855	7,581	1,536	5,237	3,797	49,668
b. Spot liabilities	(43,582)	(1,715)	(731)	(24)	(2,846)	(526)	(49,424)
c. Forward purchases	25,222	4,091	1,366	372	274	1,054	32,379
d. Forward sales	(9,162)	(6,252)	(8,196)	(1,885)	(2,710)	(4,345)	(32,550)
e. Net option position	-	-	-	-	-	-	-
f. Net long (short) position (i.e. sum of (a) to (e))	140	(21)	20	(1)	(45)	(20)	73
	USD	EUR	JPY	GBP	AUD	Others	Total
Net structural position	-	-	-	-	-	-	-

31 December 2015

Equivalent in millions of HK\$	USD	EUR	JPY	GBP	AUD	Others	Total
a. Spot assets	29,534	6,210	6,978	341	2,986	1,014	47,063
b. Spot liabilities	(41,333)	(1,757)	(513)	(23)	(2,651)	(137)	(46,414)
c. Forward purchases	19,701	1,532	1,483	80	169	530	23,495
d. Forward sales	(7,863)	(5,987)	(7,949)	(398)	(502)	(1,407)	(24,106)
e. Net option position	-	-	-	-	-	-	-
f. Net long (short) position (i.e. sum of (a) to (e))	39	(2)	(1)	-	2	-	38
	USD	EUR	JPY	GBP	AUD	Others	Total
Net structural position	-	-	-	-	-	-	-

There were no foreign currency structural positions as at 30 June 2016 and 31 December 2015.

INTESA SANPAOLO S.p.A.
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ADDITIONAL INFORMATION

30 June 2016

10. OFF-BALANCE SHEET EXPOSURES

(i) Contingent Liabilities and commitments

The following is a summary of the contractual or notional amounts of each material class of contingent liability and commitment outstanding :

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Direct credit substitutes	2,550,725	3,072,694
Transaction-related contingencies	-	-
Trade-related contingencies	1,381,862	1,116,221
Note issuance and revolving underwriting facilities	-	-
Other commitments	2,280,330	1,640,430
Others - Forward forward deposits placed	300,544	224,755
	<u>6,513,461</u>	<u>6,054,100</u>

(ii) Derivatives

The following is a summary of the total contractual or notional amount of derivative transactions :

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	36,065,793	29,256,462
Interest rate derivative contracts	240,906,120	152,145,694
Others	-	-
	<u>276,971,913</u>	<u>181,402,156</u>

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10. OFF-BALANCE SHEET EXPOSURES (continued)

(ii) Derivatives (continued)

The total fair value of the above off-balance sheet derivative transactions which have been taken into account the effects of bilateral netting arrangement are as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Exchange rate-related contracts	(306,245)	(93,238)
Valid bilateral netting agreement	-	-
	<u>(306,245)</u>	<u>(93,238)</u>
Interest rate derivative contracts	61,969	230,860
Valid bilateral netting agreement	-	-
	<u>61,969</u>	<u>230,860</u>
Others	-	-
	<u>(244,276)</u>	<u>137,622</u>

The notional amounts of the off-balance sheet instruments indicate the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

11. LIQUIDITY INFORMATION

	For the period 1 Jan 16 to 30 Jun 16	For the period 1 Jan 15 to 30 Jun 15
Average Liquidity Maintenance Ratio ("LMR")	<u>45.39%</u>	<u>36.94%</u>

The average LMR for the period from January to June 2016 is the arithmetic mean of each calendar month's average LMR calculated in accordance with the Banking (Liquidity) Rules and complies with the minimum requirement of 25% as stipulated by the Hong Kong Monetary Authority (HKMA).

The liquidity and funding requirements are managed in a manner that ensures the Branch meets all local statutory requirements, internal risk limits and guidelines. Internal limits and guidelines on various liquidity indicators are monitored at an appropriate interval to ensure the liquidity risk of the Branch is properly managed. The internal limits and guidelines are subject to review on a regular basis. Special review on an ad hoc basis will also be required when it is deemed necessary. Liquidity and funding management reporting is provided on a timely basis and of sufficient quality and integrity so that it can be relied upon for decision making.

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12. DISCLOSURE ON REMUNERATION

According to the Supervisory Policy Manual (“SPM”) CG-5 “Guideline on a Sound Remuneration System” issued by HKMA, Intesa Sanpaolo, S.p.A., Hong Kong Branch, as an overseas-incorporated Authorized Institution is not required to make separate disclosures in respect of the remuneration system applicable to their Hong Kong operations. The disclosures made by Head Office in the Annual Report also cover information as set out in the said Guideline, where appropriate. The relevant Annual Report can be viewed in the Investor Relations section of the Intesa Sanpaolo website : www.group.intesasanpaolo.com.

INTESA SANPAOLO S.p.A.
BANK INFORMATION (CONSOLIDATED BASIS)

30 June 2016

The following information is based on the consolidated financial statements of Intesa Sanpaolo S.p.A. as of 30 June 2016 , 31 December 2015 and 30 June 2015. (conversion rate for US\$/EUR = 1.1102 as at 30 June 2016, 1.0887 as at 31 December 2015 and 1.1189 as at 30 June 2015).

(i) Capital adequacy ratio and shareholders' funds

	30 June 2016	31 December 2015
Capital adequacy ratio	<u>16.90%</u>	<u>16.60%</u>

The capital adequacy ratio is computed in accordance with the Basel Capital Accord taking into consideration of an allowance for market risk.

	30 June 2016 US\$'000	31 December 2015 US\$'000
Aggregate amount of shareholders' funds	<u>52,764,475</u>	<u>52,013,731</u>

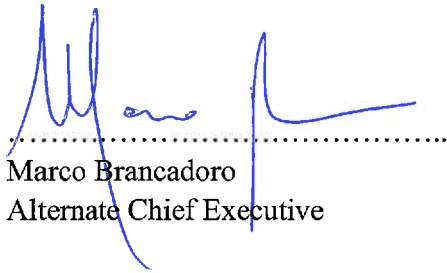
(ii) Other financial information

	30 June 2016 US\$'000	31 December 2015 US\$'000
Total assets	796,337,578	736,501,195
Total liabilities	743,573,103	685,442,254
Total loans and advances	440,881,514	418,556,159
Total customer deposits	<u>584,289,378</u>	<u>549,936,120</u>

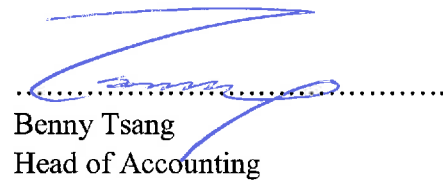
	Period ended 30 June 2016 US\$'000	Period ended 30 June 2015 US\$'000
Profit before taxation	<u>2,887,630</u>	<u>3,607,334</u>

CHIEF EXECUTIVE'S DECLARATION

This is to certify that the information disclosed above complies with the Banking (Disclosure) rules and the disclosure standards set out in the Supervisory Policy Manual - "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority and is not false or misleading.



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Marco Brancadoro
Alternate Chief Executive



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Benny Tsang
Head of Accounting

30 September 2016